

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2687 – Brownfield and Grayfield Development (LSB 6094 HV)
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Fiscal Note Version – New

Description

House File 2687 creates an income tax credit for development of specified distressed property labeled Brownfield and Grayfield sites. The Bill provides for enhanced tax credit levels for qualified properties reaching specified levels of “green” development.

An investor participating in the redevelopment of a Grayfield site would be eligible for a credit equal to 12.0% of the qualifying investment. For a Brownfield development, the credit percentage is 24.0%. If the project meets the standards of certain “green” certification programs, Grayfield investors receive an additional 3.0% and Brownfield investors receive an additional 6.0%. The Department of Economic Development is directed to adopt rules to specify how projects and investments qualify for the credits.

Tax credits awards are limited to \$3.0 million for FY 2009, \$6.0 million for FY 2010, and \$10.0 million for FY 2011 and future fiscal years.

The Bill specifies that a tax credit may only be redeemed for tax years beginning on or after July 1, 2009. The credit is transferrable and any unused portion may be carried forward up to five tax years. The credit is not refundable. The Bill is effective on enactment and retroactive to January 1, 2008.

Assumptions

1. Sufficient demand will exist for the new tax credits to allow all credits available in a year to be awarded in that year.
2. To reflect construction time and insufficient annual tax liability, recipients of the tax credits will, on average, utilize the awarded tax credits on the following schedule:
 - a. Tax year 1 = 55.0%
 - b. Tax year 2 = 20.0%
 - c. Tax year 3 = 5.0%
 - d. Tax year 4 = 5.0%
 - e. Tax year 5 = 5.0%
 - f. Tax year 6 = 5.0%
 - g. Not redeemed or expired = 5.0%
3. This credit is not refundable so it impacts local option income surtax revenue, if applicable to that taxpayer. Statewide, the average local option income tax for schools tax rate is 3.0% of a taxpayer’s tax liability, prior to refundable credits.

Fiscal Impact

Redemption of tax credits created in HF 2687 is projected to reduce net General Fund revenue by the following amounts:

- FY 2010 = \$5.0 million
- FY 2011 = \$7.3 million
- FY 2012 = \$8.0 million
- FY 2013 = \$8.5 million
- FY 2014 = \$9.0 million
- FY 2015 = \$9.5 million

The net General Fund impact in future fiscal years should be similar to FY 2015.

Redemption of the tax credits is also projected to reduce local option income surtax for schools revenue by \$15,000 in FY 2010 and increasing to \$285,000 by FY 2015.

Sources

Legislative Services Agency Analysis

April 14, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
